

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 FEA-01 ERDA-05 AID-05 CEA-01 CIEP-01

COME-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-03 NSC-05

OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 PA-01 PRS-01 MC-02 FTC-01 /091 W

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O R 030930Z JUL 75

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC IMMEDIATE 2965

INFO AMEMBASSY BANGKOK

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

C O N F I D E N T I A L SECTION 1 OF 2 SINGAPORE 2886

E.O. 11652: GDS

TAGS: EFIN, SN, VN

SOJ: AMOCO REFINERY IN SINGAPORE REQUESTED TO BID ON SOUTH
VIETNAM CONTRACT

REFS: A. STATE 154875 (NOTAL)

B. SINGAPORE 1776 (NOTAL)

C. SINGAPORE 1910

SUMMARY: AMOCO PARTICIPATION IN SINGAPORE PETROLEUM
COMPANY (SPC) IS LARGEST US JOINT VENTURE IN SINGAPORE. IN
JUNE, DRV REPS APPROACHED SPC DIRECTLY ON RECOMMENDATION
MFA OFFICIAL TO PURCHASE PETROLEUM PRODUCTS WORTH NEARLY US\$1
MILLION. WHEN SPC UNABLE TO SUPPLY DUE TO FOREIGN ASSETS
CONTROL, VIETNAMESE MADE PURCHASE FROM BRITISH PETROLEUM
(BP) SINGAPORE REFINERY. U.S. REFINERIES AND GOS BELIEVE SIN-
GAPORE COULD REGAIN IN MODIFIED FORM THE IMPORTANT VIETNAMESE
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MARKET FOR PETROLEUM PRODUCTS. EXPORTS OF REFINERY INDUSTRY,
PRESENTLY IN SLUMP, ARE EXTREMELY IMPORTANT TO SINGAPORE ECO-
NOMY. APPLICJION OF FAC THIS INSTANCE NOT OF GREAT MOMENT BUT
GENERAL APPLICATION IN FUTURE WOULD BE MOST DISAGREEABLE TO

GOS AND COULD CAUSE GOS TO BUY CONTROLLING INTEREST IN JOINT VENTURES SUCH AS SPC, AND PERHAPS PROTEST TO US RE:DETRIMENTAL EFFECTS TO ITS ECONOMY; GOS MIGHT EVEN MODIFY ITS WELCOME TO US INVESTMENT IN SECTORS WITH SUBSTANTIAL POTENTIAL EXPORTS TO VIETNAM. EMBASSY GENERALLY FEELS POLICY OF APPLYING FAC TO VIETNAM AND CAMBODIA COULD BENEFIT FROM WASHINGTON REVIEW IN CONTEXT OF U.S. ECONOMIC/AND POLITICAL INTERESTS IN SEA COUNTRIES OUTSIDE INDOCHINA. END SUMMARY.

1. SINGAPORE PETROLEUM CO. (SPC) IS FOUR-WAY JOINT VENTURE BETWEEN DEVELOPMENT BANK OF SINGAPORE (DBS), AMOCO AND SUMMIT (EACH 31 AND 1/3 PERCENT) AND C. ITOH OF JAPAN, (6 PERCENT). IT IS ONE OF THE FEW, AND BY FAR THE LARGEST US JOINT VENTURE IN SINGAPORE. TWO US PARTNERS EACH HAVE US\$5 MILLION EQUITY IN REFINERY; TOTAL US INVESTMENT IS AROUND US\$40 MILLION. GOS HAS A CONTROLLING 48 PERCENT INTEREST IN DBS, AND THUS HAS A DIRECT COMMERCIAL INTEREST IN SPC. SPC CHAIRMAN IS GOS ATTORNEY GENERAL, TAN BOON TEIK. SPC REFINERY IS ONE OF SMALLER ONES IN SINGAPORE WITH CAPACITY OF AROUND JLNPPP B/D. IT CAME ON STREAM IN 1973.

2. AMOCO-FE PRESIDENT GEORGE HARGENS IS FAVORABLY AND WELL KNOWN TO EMBASSY AND SINGAPORE BUSINESS COMMUNITY. UNTIL RECENTLY HE WAS PRESIDENT OF AMERICAN BUSINESS COUNCIL (AMCHAM TYPE GROUP). HE IS ALSO VICE PRESIDENT AND A DIRECTOR OF AMOCO INTERNATIONAL, CHICAGO.

3. ACCORDING TO LOCAL AMOCO OFFICIALS, IN MID-JUNE DRV REPRESENTATIVES CONTACTED TWO LOCAL SHIPPING COMPANIES, WHO IN TURN CONTACTED SPC, LOOKING TO PURCHASE HIGH GRADE FUEL OIL. SPC REPLY WAS NEGATIVE, BECAUSE OF PROHIBITIONS OF U.S. LAW. SHORTLY THEREAFTER, THESE OFFICIALS APPROACHED SPC DIRECTLY, STATING THEY HAD BEEN REFERRED TO SPC BY MINISTRY OF FOREIGN AFFAIRS PERMANENT SECRETARY GEORGE BOGAARS. GOS APPARENTLY ADVISED DRV TO APPROACH SPC RATHER THAN OTHER REFINERIES IN SINGAPORE BECAUSE (A) IT QUITE NATURALLY LIKES TO CONFIDENTIAL

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DIRECT BUSINESS TO FIRMS WITH GOS INTEREST AND (B) SPC WAS THE MOST LOGICAL SUPPLIER AMONG SINGAPORE REFINERIES. SHELL, ESSO, AND CALTEX ALL HAD OPERATIONS TAKEN OVER IN VIETNAM, SO DRV NATURALLY WOULD BE RELUCTANT TO APPROACH THEM. MOBIL IS WHOLLY-OWNED AMERICAN REFINERY. BP IS SMALL.

4. VIETNAMESE ASKED FOR 8 TO 10 THOUSAND TONS OF HEAVY DUTY INDUSTRIAL FUEL OIL (400 -600 SECOND). SPC, AGAIN MIFUL OF US LAW,ZBUT VIETNAMESE OFF FOR SEVERAL WEEKS ON BASIS OF PRODUCT UNAVAILABILITY, CLAIMING IT UNABLE TO MEET SUCH UNEXPECTED NEW DEMAND. VIETNAMESE APPARENTLY SAW THROUGH THIS AND RECENTLY TOOK DELIVERY OF SIMILAR ORDER FROM SINGAPORE BP REFINERY.

5. SINGAPORE REFINERIES ARE LOGICAL SUPPLIERS OF VIETNAMESE PETROLEUM PRODUCT REQUIREMENTS. SHALLOW DRAFT OF VIETNAM RIVERS NECESSITATES USE OF SMALL TANKERS, WHICH ARE MORE ECONOMIC ON SHORT REGIONAL HAULS. REPUBLIC OF SOUTH VIETNAM WAS MAJOR CUSTOMER OF SOME SINGAPORE REFINERIES (SHELL AND ESSO, BUT NOT SPC) DURING VIETNAM WAR. LOSS OF INDOCHINA MARKETS SINCE END OF WAR HAS CONTRIBUTED TO PRESENT SUBSTANTIAL UNDERUTILIZATION OF SINGAPORE REFINERY CAPACITY. WITH EXPORT IN MIND, AS LOCAL MARKET CAN ABSORB ONLY SMALL FRACTION OF PRODUCTION. US INVESTMENT IN SINGAPORE REFINERIES, IN EXCESS OF US\$250 MILLION, WAS IN NO WAY RELATED TO SINGAPORE INTERNAL NEEDS. IT IS EXTREMELY IMPORTANT TO SINGAPORE, THEREFORE, THAT ITS REFINERY PRODUCTS BE EXPORTED. PETROLEUM PRODUCTS REPRESENTED 26 PERCENT OF THE VALUE OF SINGAPORE EXPORTS IN 1974.

7. SPC OFFICIALS HERE BELIEVE THAT VIETNAMESE OVERTURE TO THEM IS SIGN THAT GOOD SIZED VIETNAMESE MARKET FOR PETROLEUM PRODUCTS--NOT ONLY FUEL OIL BUT ALSO DISTILLATES AND KEROSENE--BECKONING TO THEM AND OTHER SINGAPORE REFINERIES. SPC DOES NOT FEEL THAT THEIR INABILITY THUS FAR TO SUPPLY VIETNAM PRECLUDES FUTURE SALES. HOWEVER, IT EXPECTS CONSIDERABLE GOS PRESSURE TO EXPORT TO VIETNAM IN NEAR FUTURE.

8. EMBASSY SHARES SPC ASSESSMENT OF VIETNAM MARKET POTENTIAL AND LIKELIHOOD OF GOS PRESSURE, NOT ONLY ON SPC BUT ON OTHER REFINERIES IN SINGAPORE. ENFORCEMENT OF FOREIGN ASSETS CONTROLS THIS INSTANCE HURTS SINGAPORE EXPORTS AT A TIME

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OF RECESSION IN ECONOMY GENERALLY AND REFINING SECTOR IN PARTICULAR. DEAL RECENTLY LOST IS IN ITSELF NOT A GREAT VALUE, UNDER US\$1 MILLION, BUT FROM SINGAPORE'S STANDPOINT POTENTIAL FOR FUTURE TRADE WITH VIETNAMIS. SINGAPORE CANNOT AFFORD POLITICALLY OR ECONOMICALLY TO HAVE ITSELF LABELLED A SELECTIVE EXPORTER ON POLITICAL GROUNDS.

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9. EMBASSY BELIEVES DEPARTMENT AND OTHER INTERESTED WASHINGTON AGENCIES SHOULD REEVALUATE APPLICATION OF FAC CONTROLS TO VIETNAM AND CAMBODIA IN TERMS OF OUR ECONOMIC AND POLITICAL INTERESTS IN THE BROADER REGION OF SOUTHEAST ASIA AND BEYOND. THE GAINS WE EXPECT TO ACHIEVE WITH RESPECT TO VIETNAM AND CAMBODIA SHOULD BE BALANCED AGAINST (A) THE OPPORTUNITY COST TO U.S. FIRMS, (B) THE EFFECTS ON ECONOMIC GROWTH OF THE AREA (WHICH US POLICY HAS ESPOUSED AS MEANS OF COUNTERING THE APPEALS OF COMMUNISM.) (C) THE EFFECTS ON OUR BILATERAL RELATIONS WITH SEA NATIONS WHO FEAR THE CONSEQUENCES OF NOT NORMALIZING RELATIONS WITH VIETNAM, (D) THE EFFECTS ON SEA NATIONS' ATTITUDES AND POSSIBLE RESTRICTIONS ON CERTAIN TYPES OF U.S. CAPITAL INVESTMENT, AND (E) THE EFFECTS THAT NORMALIZING TRADE AND RELATIONS BETWEEN INDOCHINA AND COUNTRIES LIKE SINGAPORE MIGHT HAVE IN REDUCING VIETNAM'S DEPENDENCE ON USSR AND PRC AS SOLE SUPPLIERS OR DONDUITS FOR NECESSARY SUPPLIES. IN ANY REASSESSMENT, USG SHOULD CONSIDER CONFIDENTIAL

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THE FACT THAT CASE BY CASE APPLICATIONS IMPOSE ADDITIONAL COSTS ON AMERICAN SUBSIDIARIES, SOMETHING WITH WHICH THEIR COMPETITORS DO NOT HAVE TO CONTEND. DELAYS IN APPROVAL AND /OR DISAPPROVALS MAY MERELY DIVERT BUSINESS TO NON-AMERICAN COMPETITOR FIRMS. IN ANY CASE, AS POINTED OUT IN REFTELS B AND C DEALING WITH PROBLEMS ARISING HERE FROM FAC CONTROLS APPLIED TO BANKING AND OIL EXPLORATION SECTORS, U.S. FIRMS NEED A CLEARER PICTURE OF WHERE THEY STAND WITH RESPECT TO U.S. LAW TO PETTE## EFFECTIVELY.

10. IF SPC IS DENIED THE BUSINESS IN THIS CASE, EMBASSY FEELS GOS WOULD TAKE NO EXTREME POLITICAL ACTION TOWARD USG ALTHOUGH IT MIGHT PROTEST OUR ACTION AS (1) DETRIMENTAL TO ITS ECONOMIC GROWTH AND (2) CONTRARY TO OUR STATED POLICY OF ASSISTING ECONOMIC DEVELOPMENT OF THE AREA. WE DO NOT BELIEVE THAT THE GOS WOULD NATIONALIZE SPC OR OTHER REFINERIES; HOWEVER, IT MAY INSIST ON BUYING A CONTROLLING INTEREST IN SPC. GOS OFFICIALS HAVE TOLD US THAT THEIR PARTICIPATION IN SOME

JOINT VENTURES (SUCH AS THE PETROCHEMICAL COMPLEX (REF: SINGAPORE 43, 1-3-75) WAS TAKEN IN ORDER TO GET A VOICE IN THE SALE/DESTINATION OF THE PRODUCTS. GOS HAS ALSO INSISTED ON RAISING ITS PARTICIPATION TO A CONTROLLING INTEREST IN PREVIOUS CASES SUCH AS GATX TERMINALS, A JOINT VENTURE WITH GENERAL AMERICAN TRANSPORTATION CORPORATION FROM CHICAGO.

1. IF GOS GAINED CONTROLLING INTEREST IN SPC, THIS COULD LEAD TO A CORPORATE DECISION TO EXPORT TO VIETNAM OVER OBJECTION OF THE MINORITY AMERICAN INTERESTS AND WOULD RAISE THE QUESTION OF HOW FAC REGULATIONS COULD PENALIZE THE U.S. FIRMS AND PERHAPS CAUSE THEIR WITHDRAWAL FROM THE JOINT VENTURE ALTOGETHER. THE EMBASSY BELIEVES THAT THE GOS, FACED WITH A FAC VETO OF SUCH EXPORTS, WOULD DEFINITELY TAKE SOME ACTION TO PROTECT THE ECONOMIC VIABILITY OF ITS REFINERY CENTER, ESPECIALLY IN THIS TIME OF ECONOMIC RECESSION. GOS MIGHT EVEN CONSIDER MODIFYING ITS WELCOME TO U.S. INVESTMENT IN CERTAIN SECTORS WHERE IT FORESEES PROBLEMS WITH FAC REGULATIONS THAT ARE DISTASTEFUL TO ITS PRIDE AS A SOVEREIGN NATION OR THAT COULD CAUSE IT TO FORGO TRADE AND PROFITS.
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NOTE BY OC/T: ##AS RECEIVED.

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Message Attributes

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